FERS

Federal Employees Retirement System

General Informational Session

Are You Ready?

TACOM Community
Week 12 May 04

FERS Informational
Session

Agenda

- Purpose
- General Facts
- FERS Annuity
- Survivor Benefits
- Social Security Benefits
- Thrift Saving Plan
- FEHB
- FEGLI
- Military Service
- Misc

Purpose

To provide BASIC general information on the Federal Employees Retirement S

What this session is not:

- **Replacement of the Army Benefits Cen**
- **A Counseling Session**
- **Investment/Tax Planning**
- **Estate Planning**
- **Second Career Choices**

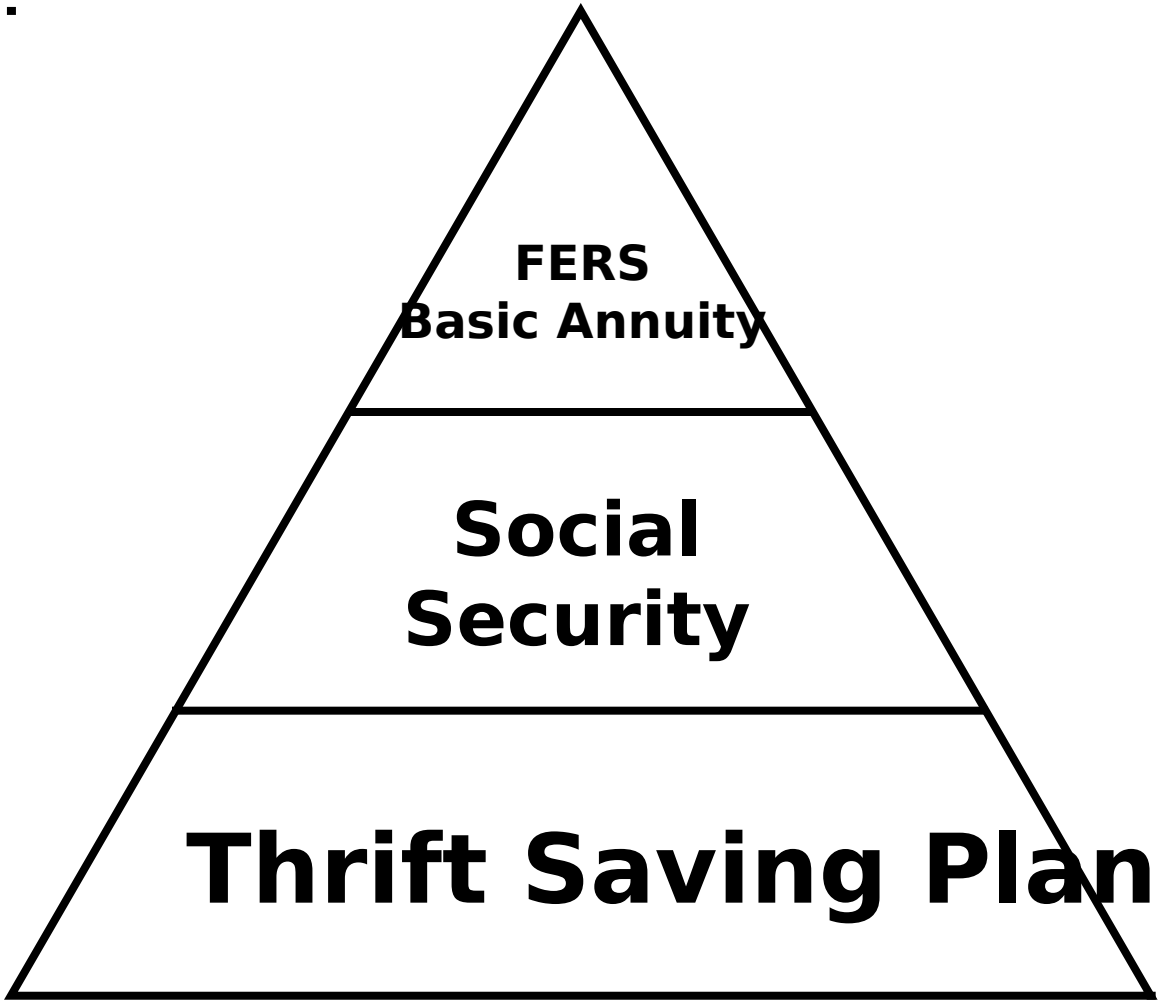
Presented from an Optional Retirement Point of V

GENERAL FACTS

General Facts - Background

- FERS was established in 1984
- Covers most civilian employees first hired after to 1 Jan 1984
- A three part benefits system
- Basic Benefit Plan; Social Security, and Thrif Saving Plan

FERS Benefits Sources



General Facts - Background

- Employees Contributes 6.2% of salary to OASDI
Plus .8% to FERS – For a total of 7.0%

- Employees pay 1.45% of base pay to Medicare T

- Can Contribute up to 14% of pay to TSP with up
5% matching government contribution.
TSP Contributions are tax deferred.

General Facts- Background

The FERS employee must meet one of age and service requirements below at separation

Age is at least....	& Creditable Service is at least.....
62	5 years
60	20 years
MRA (see next chart)	

Annual and Sick Leave can NOT be used

General Facts – Minimum Retirement Age (MRA)

If you were born….	Your MRA is….
Before 1948	55
In 1948	55 & 2 mos
In 1949	54 & 4 mos
In 1950	55 & 6 mos
In 1951	55 & 8 mos
In 1952	55 & 10 mos
In 1953 – 1964	56
In 1965	56 & 2 mos
In 1966	56 & 4 mos
In 1967	56 & 6 mos
In 1968	56 & 8 mos
In 1969	56 & 10 mos
In 1970 and after	57

General Facts - MRA

- MRA is the earliest age that an employee with 30 years of creditable service is eligible for optional retirement without any reduction due to age.

Others:
Early – Reduced (MRA + 10) Annuity
Early Out – 50/20 or Any/25
Involuntary or Discontinued – 50/20 or Any 2
Deferred – 62/5
Disability – Any/18mos

General Facts – Creditable Service Includes

- Time elapsing between dates of appointment & separa
- Leave Without Pay (LWOP) up to 6 mos in a calendar ye
- Workers Compensation time (OWCP), provided employe returns to duty
- Part-Time Service
  - Prior to 7 Apr 86 receives full time credit
  - After 7 Apr 86 creditable for eligibility, but prorate for computation purposes
- Intermittent only for actual days worked, based on 260-day
- Breaks in service up to 3 days
- Certain Military Service

General Facts – Creditable Civilian Service

1. **Creditable civilian service**
2. **Creditable military service**

Civilian	**28 yrs**	**1 mo**	**3 days**
Military	**4 yrs**	**2 mos**	**6 days**
Total Service	**32 yrs**	**9 mos**	**27 da**

Unused sick leave can not be used for creditable service under FERS

FERS Annuity

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FERS Annuity - Computation

WARNING – FERS has similarities to Computations done for CSRS retirees, but it is very different system with a variety of complexities. All of these complexities cannot be clearly explained in this short session, therefore, please consult with ABC-C.

- Some employees have FERS only and FERS with a CSRS component – Discussing FERS only

FERS Annuity - Computation

FERS - only no CSRS component:

If you are **Less Than Age 62**, your annuity is
Computed with the following formula:

1% x High-3 Average Salary x Length of Service
Equals Annual Annuity

Age 60
$30,000 High-3 average salary
32 year of service
1% (.01) x $30,000 x 32 = $9,600 annual annu

FERS Annuity - Computation

FERS only no CSRS component:

If you are **Age 62 or older** AND have 20 years of creditable service, your annuity is computed with the following formula:

1.1% x High-3 Average Salary x Length of Service
Equals Annual Annuity

Age 65
$30,000 High-3 Average Salary
32 years of service
1.1% (.011) x $30,000 x 32 = $10,560 Annual An

FERS Annuity - Supplement

- Because Social Security benefits normally can start before age 62, some FERS retirees may be eligible for an **ANNUITY SUPPLEMENT**.

- The **ANNUNITY SUPPLEMENT** acts as a bridg payment from the time of retirement until age 6 order to provide the retiree with a level of incom before age 62 similar to the income that will be received at age 62 with Social Security benefits.

FERS Annuity - Supplement

- Annuity Supplements are NOT paid under the following conditions:
  - Deferred Retirement
  - Disability Retirement
  - MRA + 10 Retirement
  - Any type of retirement if retiring at age 62 or older

FERS Annuity - Supplement

- Annuity Supplements MAY be paid under the following conditions:
  - Voluntary retirement at or after the MRA with 30 years of service
  - Voluntary retirement at age 60 with at least 20 years of service
  - Involuntary retirement (discontinued servic at or after the MRA
  - Early retirement at or after the MRA

SURVIVOR BENEFITS

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Survivor Benefits

As an employee – benefits are automatic

- Survivor
- Children

As a retiree – benefits are **ELECTED**

Survivor Benefits

The following may be eligible to receive
Survivor Annuity upon the retiree's dea

- Current spouse
- Former spouse
- Insurable interest
- Children

Survivor Annuity - Election

- Married employees may elect at retirement:
  - Full annuity as a base for survivor annuity for spouse
  - On-half of annuity as a base with consent of spouse
  - No survivor benefit with consent of spouse
  - Insurable Interest survivor annuity if benefit has awarded by qualifying court order to former spouse, Or to provide for someone e

Survivor Annuity - Consent

- If you are married at the time of retirement a full survivor benefit for your spouse will automatically be elected unless you and spouse waive it.

- A waiver requires you and your spouse's signature and must be notarized and submitt with retirement application

- Completion of SF 3107-2 Spouse's Consent To Survivor Election

Survivor Benefit Amount

- Retiree Spousal Annuity
  - Full benefit is 50% of your base annuity
  - Reduced benefit is 25% of your base annuity
  - No other reduced options are available unde FERS

Survivor Annuity - Cost

Remember nothing in life is free….

- There is a cost factor to you to provide your spouse with an annuity.
- The cost is incurred through a reduction in yo annuity during your lifetime
- Your cost is 10% or 5% of your basic annuity dependent upon whether you choose the full o reduced spousal benefit

Survivor Annuity – Spouse Cost Example

Full spousal annuity benefit chosen:

$20,000 basic annual annuity
x 10%
-$2,000 Cost of providing survivor benefit
$18,000 Your reduced FERS annual retirement annuity

Social Security Benefits

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Social Security Benefits

- Monthly benefits if you are retired and have reached at least age 62
- Benefits are computed based on the average total earning over the Social Security worker's entire work life.
- The formula for computing a Social Security benefit in 2004 is:

90% x first $612 of Ave Indexed Monthly Earnings (AIME)
32% x amount over 612 thru $3,689, plus
15% x AIME over $3,689

Social Security Benefits

- Under Social Security you can retire at age 6
- However, your benefit will be less than your full retirement benefit
- Full retirement ages will gradually increase to receive full benefits
- Example:
  Born in 1954 – full benefit is reached at age 6
  Born in 1960 or later – age 67

Thrift Saving Plan

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Thrift Saving Plan

Withdrawal Options:

- Have TSP purchase a life annuity for you
- Receive your account in a single payment
- Receive your account in a series of monthly payments

Thrift Saving Plan

Leaving your money in the TSP:

- You can leave your entire account balance in the TSP

- However, you must withdraw your TSP account or begin receiving monthly or annuity payments by 1 April of the year following the year you reach 70 1/2

Federal Employees' Health Benefits Program FEHB

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Federal Employees' Health Benefits Program - FEHB

Area of concern among potential retirees . . . . .

Specifically the ability to carry their health insurance coverage into retirement.

FEHB - Coverage

Retiring employees may continue health bene
coverage into retirement, with no reduction in
benefits if they:

- Retire on an immediate annuity
- After enrollment (or coverage as a family
member) under the health insurance program for:
  - 5 years of service immediately preceding retirement (*CHAMPUS/TRICARE), or
  - All service since first opportunity to enroll

FEHB – General Facts

- Health benefits during retirement remain the same as if you were currently employed
- Your actual benefits, as covered under your particular health plan, remain the same
- Your COSTS are the same (except for part-time employees)
- Premiums are withheld once a month from y annuity check, rather than once every 2 week

FEHB – General Facts

- Ability to make changes to your health plan coverage remains unchanged

Example: May change health plans during Open Season or you can elect a new plan when you move from your residence and the HMO plan you are covered under is not available at your new location (use SF-2809) and others

FEHB & MEDICARE

IMPORTANT CONSIDERATIONS

What is Medicare?

Medicare is a federal health insurance program
for people 65 or older and certain disabled peop

Medicare has two parts:
Part A – is Hospital Insurance
(has been paid for from wages 1.45%)
Part B – is Medical Insurance
(2004 rate = $66.660 per person per month)

FEHB – MEDICARE Part A

Medicare Part A:

- Pays for medically necessary inpatient hospita care, to include care at nursing facilities, home health care and hospice care
- Still responsible for paying any deductibles or remaining costs
- Medicare Part A is free of charge, if you have paid into FICA for 40 quarters

FEHB – MEDICARE Part B

Medicare Part B:

- Pays for 80% of most approved physicians' service charges, durable equipment, outpatie hospital services and a number of other med services and supplies, after you pay a $100 Medical deductible

- Medicare Part B is not free – Check with SS for current rate

FEHB & MEDICARE

Why do I need to know about MEDICARE?

- Employees who work after 65:
  - FEHB is the primary coverage and
  - MEDICARE provides secondary coverage
- Retired and Age 65:
  - Medicare becomes your primary insuranc
  - FEHB becomes your secondary

This means your FEHB benefits need to be review and or adjusted at age 65

Federal Employees' Group Life Insurance FEGLI

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Federal Employees Group Life Insurance - FEGLI

- Retiring employees may continue BASIC life insurance if they:

- Retire on an immediate annuity
- Are insured on date of retirement
- Have been covered for 5 yrs of service immediately preceding retirement, or since first opportunity to enroll.

FEGLI – Basic Insurance

- The amount of your Basic Life Ins is determine by the your annual rate of basic pay in effect when you retire and which **reduction schedule** you choose

- The cost of Basic Life Insurance is dependent upon your age and the reduction schedule you have choose at retirement.

- There are 3 different reduction schedules/optic 75%, 50, 0%.

FEGLI – Basic Insurance

- Basic is determined by rounding up the employee's basic salary and then adding $2,000

Example:
Basic Salary is: $55,200
Rounded up to: $56,000
Plus $2K: $58,000

The monthly premium rate is dependent on the reduction schedule chosen

FEGLI – Optional Insurances

- There are 3 Optional Insurances:
  - Option A (Standard)
  - Option B (Additional)
  - Option C (Family)
- These may be carried into retirement in additional to BASIC insurance
- Need to review these prior to retirement to determine if they continue to be cost effective
- SF-2818, Continuation of Life Insurance Coverage Form used to make determinations

MILITARY SERVICE

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Military Service - Creditable

- Honorable ACTIVE DUTY military service is potentially creditable

- Receipt of Military Retired Pay will bar credit of military service unless Military Retried Pay is waived

Military Service – FERS Military Deposit

- Employees subject to the FERS military deposit rules will receive credit for the military service ONLY if a deposit is paid for that service
- The deposit MUST be paid to the agency prior to separation
- Employees with unpaid FERS military deposit will be receive credit for that service for any purpose

Military Service - Deposit Procedures

- Complete an RI 20-97, Estimated Earning During Military Service
- Mail to appropriate military finance center with copies of DD Forms 214
- Upon receipt of estimated earning, complete the personal information on SF-2803
- Forward SF-2803 and RI-20-97 and DD Form 214 to Army Benefits Center (ABC-C)
- ABC-C forwards to DFAS – You make arrangements with DFAS to pay required deposit

MISC Information

MISC Information

Your retirement package should include:

- SF-3107 Application for Immediate Retirement
- SF-3107-2 Spouse Consent To Survivor Electio
- SF-2818 Continuation of Life Insurance Covera
- RI-38-128 Direct Deposit Information
- W-4P Withholding Certificate for Pension or Annuity Payment

***If applicable**

MISC Information

Your retirement application/paperwork
Is mailed to:

Southwest Civilian Personnel Operations Center
Attn: Army Benefits Center – Civilian
301 Marshall Avenue
Fort Riley, KS 66442-5004

MISC Information

Major Websites:

ABC-C: https://www.abc.army.mil

Thrift Saving Plan: http://www.tsp.gov/

OPM Thinking About Retirement:
http://www.opm.gov/forms/pdfimage/RI83-011.p

OPM-Federal Retirement Programs:
http://www.opm.gov/retire/index.asp

Social Security Administration:
http://www.ssa.gov

Your Questions Should Be Directed To The Army Benefits Center - Civilian

After you dial our toll-free number **1-877-276-9287** (visit the ABC-C website for OCONUS numbers), you must press 1 for Army civilian employee, 2 for Benefits & Entitlements, and 1 for current Army employee. Then you will need to input your Social Security Number (SSN) and 6-digit Personnel Identification Number (PIN). If you have never created your PIN, you will need to first create a temporary 4-digit PIN that consists of your mmyy of birth (e.g. July 1945 is 0745) and then enter/verify your duty telephone number.

At this point you will come to the “main menu”. You must then press the number that best corresponds with the purpose of your call (FEHB, Retirement, TSP, etc.). The following menu will give you the opportunity to press 0 to transfer to a benefit counselor.

MISC – BRIEFING CHARTS

http://www.peogcs.army.mil/apeo

Click on Community Week FERS Retirement Briefing

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